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TOWN OF BROOKLINE, MASSACHUSETTS

**REPORT ON EXAMINATION OF
GENERAL PURPOSE FINANCIAL STATEMENTS**

FISCAL YEAR ENDED JUNE 30, 1999

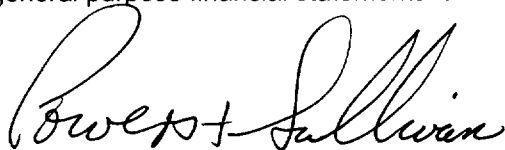
Financial Section

TOWN OF BROOKLINE, MASSACHUSETTS
REPORT ON EXAMINATION OF
GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 1999

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Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Town of Brookline, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, reading "Robert J. Sullivan". The signature is written in a cursive style with a large, looping initial "R".

October 1, 1999

323 New Boston Street
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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Brookline, Massachusetts

We have audited the accompanying general purpose financial statements of the Town of Brookline, Massachusetts, as of and for the fiscal year ended June 30, 1999, (except for the Brookline Contributory Retirement System, which is as of and for the year ended December 31, 1998), as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Brookline, Massachusetts' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. The general purpose financial statements of the Town of Brookline, Massachusetts, as of June 30, 1998, were audited by other auditors whose report dated March 26, 1999, expressed a qualified opinion on those general purpose financial statements for issues related to the Year 2000. We also audited the adjustments described in Note 13 that were applied to restate the fiscal year 1998 general purpose financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Brookline, Massachusetts, as of June 30, 1999 (except for the Brookline Contributory Retirement System, which is as of December 31, 1998), and the results of its operations and cash flows of its Proprietary Fund Types and Nonexpendable Trust Funds and the changes in net assets available for employees' pension benefits of its Pension Trust Fund for the fiscal year then ended in conformity with generally accepted accounting principles.

As more fully described in Note 13, the Town has restated the beginning fund equity position of several Funds.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 1999, on our consideration of the Town of Brookline, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET**

JUNE 30, 1999

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Cash and short-term investments	\$ 29,345,879	\$ 3,291,393	\$ 21,765,685
Investments			
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	850,992		
Tax liens	731,454		
Motor vehicle excise	1,289,582		
User fees	1,872,510		
Departmental and other	206,122		
Interest and dividends			
Intergovernmental		1,000,475	
Loans		759,284	
Fixed assets, net			
Other assets	529,163		
Amounts to be provided for retirement of long-term obligations			
TOTAL ASSETS AND OTHER DEBITS	\$ 34,825,702	\$ 5,051,152	\$ 21,765,685
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
LIABILITIES:			
Warrants payable	\$ 1,566,121	\$ 142,686	\$ 1,480,863
Accrued liabilities	3,102,519		
Reserve for abatements	3,833,163		
Other liabilities	286,648	39,498	
Deferred revenues	2,221,562	527,046	
Landfill closure			
Accrued compensated absences			
Bonds and notes payable			56,415,000
TOTAL LIABILITIES	11,010,013	709,230	57,895,863
FUND EQUITY (DEFICIT):			
Investment in general fixed assets			
Retained earnings			
Fund balance:			
Reserved for:			
Encumbrances and continuing appropriations	3,089,823		
Loans		759,284	
Subsequent years' expenditures	6,590,000		
Nonexpendable trust			
Stabilization			
Employees' pension benefits			
Unreserved	14,135,866	3,582,638	(36,130,178)
TOTAL FUND EQUITY (DEFICIT) AND OTHER CREDITS	23,815,689	4,341,922	(36,130,178)
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 34,825,702	\$ 5,051,152	\$ 21,765,685

See notes to general purpose financial statements.

General Purpose Financial Statements

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 1999

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum only)
	General	Special Revenue	Capital Projects	Expendable Trusts	
REVENUES:					
Real estate and personal property taxes, net of reserve for abatements	\$ 91,356,490	\$ -	\$ -	\$ -	\$ 91,356,490
Motor vehicle and other excise taxes	4,473,789				4,473,789
Payments in lieu of taxes	1,317,718				1,317,718
Water and Sewer charges	16,725,792				16,725,792
Licenses and permits	782,784				782,784
Fines and forfeitures	2,790,898				2,790,898
Intergovernmental	12,902,728	6,958,633	234,196	3,883	20,099,440
Investment income	2,629,806	63,483		759,474	3,452,762
Contributions				282,504	282,504
Departmental and other	6,875,220	6,243,255	1,608		13,120,083
TOTAL REVENUES	139,855,227	13,265,370	235,804	1,045,861	154,402,261
EXPENDITURES:					
Current:					
General government	6,785,992	805,310		81	7,591,383
Public safety	24,096,090	684,276		15,160	24,795,526
Education	42,556,214	7,206,305		153,556	49,916,075
Public works	24,265,099	842,230		20,843	25,128,172
Human services	1,477,217	139,748		403,497	2,020,462
Leisure services	3,540,405	358,890		97,797	3,997,092
Community and economic development		1,891,348			1,891,348
Pension benefits	8,363,563				8,363,563
Fringe benefits	9,771,406				9,771,406
State and county charges	5,721,404				5,721,404
Capital outlay			18,938,407		18,938,407
Debt service:					
Principal	6,118,260				6,118,260
Interest	4,093,899				4,093,899
TOTAL EXPENDITURES	136,789,549	11,928,109	18,938,407	690,934	168,346,999
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,065,678	1,337,261	(18,702,603)	354,927	(13,944,737)
OTHER FINANCING SOURCES (USES):					
Proceeds of general obligation bonds			702,591		702,591
Operating transfers in	1,402,798			800,000	2,202,798
Operating transfers out	(800,000)	(1,031,555)		(10,000)	(1,841,555)
TOTAL OTHER FINANCING SOURCES (USES)	602,798	(1,031,555)	702,591	790,000	1,063,834
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	3,668,476	305,706	(18,000,012)	1,144,927	(12,880,903)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR (AS RESTATED)	20,147,213	4,036,216	(18,130,166)	2,905,606	8,958,869
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 23,815,689	\$ 4,341,922	\$ (36,130,178)	\$ 4,050,533	\$ (3,922,034)

See notes to general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
Golf Enterprise	Internal Service	Trust and Agency	Pension Trust December 31, 1998	General Fixed Assets	General Long-Term Obligations	
\$ 211,853	\$ 5,754,652	\$ 4,421,402 4,710,897	\$ 5,014,619 137,986,917	\$ -	\$ -	\$ 69,805,483 142,697,814
						850,992
						731,454
						1,289,582
						1,872,510
		63,347				269,469
			918,399			918,399
			1,373,249			2,373,724
						759,284
406,250				129,067,103		129,473,353
	587,700	312,425				1,429,288
					59,817,102	59,817,102
<u>\$ 618,103</u>	<u>\$ 6,342,352</u>	<u>\$ 9,508,071</u>	<u>\$ 145,293,184</u>	<u>\$ 129,067,103</u>	<u>\$ 59,817,102</u>	<u>\$ 412,288,454</u>
\$ 101,859 6,523	\$ 294,013 2,120,000	\$ 35,903 134,925	\$ 585,076	\$ -	\$ -	\$ 4,206,521 5,363,967 3,833,163 1,642,676 6,703,256 3,983,000 5,669,731 106,959,371
	1,316,530					
		63,347	3,891,301			
					3,983,000	
					5,669,731	
380,000					50,164,371	
488,382	3,730,543	234,175	4,476,377	-	59,817,102	138,361,685
129,721	2,611,809			129,067,103		129,067,103 2,741,530
						3,089,823
						759,284
						6,590,000
		5,223,363				5,223,363
		1,621,642				1,621,642
			140,816,807			140,816,807
		2,428,891				(15,982,783)
129,721	2,611,809	9,273,896	140,816,807	129,067,103	-	273,926,769
<u>\$ 618,103</u>	<u>\$ 6,342,352</u>	<u>\$ 9,508,071</u>	<u>\$ 145,293,184</u>	<u>\$ 129,067,103</u>	<u>\$ 59,817,102</u>	<u>\$ 412,288,454</u>

ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Golf Enterprise	Internal Service	Nonexpendable Trusts	
OPERATING REVENUES:				
Employer contributions	\$ -	\$ 7,922,162	\$ -	\$ 7,922,162
Employee and other contributions		843,748	225	843,973
Charges for services	1,077,136			1,077,136
TOTAL OPERATING REVENUES	1,077,136	8,765,910	225	9,843,271
OPERATING EXPENSES:				
Cost of services and administration	657,680			657,680
Depreciation	32,500			32,500
Employee benefits		7,795,005		7,795,005
TOTAL OPERATING EXPENSES	690,180	7,795,005	-	8,485,185
OPERATING INCOME	386,956	970,905	225	1,358,086
NONOPERATING REVENUES (EXPENSES):				
Investment income		62,824	453,555	516,379
Interest expense	(19,835)			(19,835)
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(19,835)	62,824	453,555	496,544
INCOME BEFORE OPERATING TRANSFERS	367,121	1,033,729	453,780	1,854,630
OPERATING TRANSFERS:				
Transfers out	(361,243)	-	-	(361,243)
NET INCOME	5,878	1,033,729	453,780	1,493,387
RETAINED EARNINGS/FUND BALANCES,				
Beginning of year (As Restated)	123,843	1,578,080	4,769,583	6,471,506
RETAINED EARNINGS/FUND BALANCES,				
End of year	\$ 129,721	\$ 2,611,809	\$ 5,223,363	\$ 7,964,893

See notes to general purpose financial statements.

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGETARY BASIS - BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Real estate and personal property taxes, net of reserve for abatements	\$ 89,858,499	\$ 91,118,977	\$ 1,260,478
Motor vehicle and other excise taxes	3,475,000	4,473,789	998,789
Payments in lieu of taxes	1,000,000	1,317,718	317,718
Water and Sewer charges	16,817,470	16,725,792	(91,678)
Licenses and permits	722,000	782,784	60,784
Fines and forfeitures	2,610,000	2,790,898	180,898
Intergovernmental	12,743,976	12,902,728	158,752
Investment income	1,650,000	2,629,806	979,806
Departmental and other	5,630,038	6,875,220	1,245,182
TOTAL REVENUES	134,506,983	139,617,714	5,110,731
EXPENDITURES:			
Current:			
General government	6,612,821	6,254,274	358,547
Public safety	24,043,382	23,830,220	213,162
Education	42,623,305	42,623,305	-
Public works	25,612,546	25,219,726	392,820
Human services	1,495,388	1,484,553	10,835
Leisure services	3,576,920	3,555,654	21,266
Pension benefits	8,242,602	8,233,253	9,349
Fringe benefits	10,285,300	10,242,238	43,062
State and county charges	5,818,439	5,721,404	97,035
Debt service:			
Principal	6,118,260	6,118,260	-
Interest	4,243,040	4,093,899	149,141
TOTAL EXPENDITURES	138,672,003	137,376,786	1,295,217
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,165,020)	2,240,928	6,405,948
OTHER FINANCING SOURCES (USES):			
Operating transfers in	1,402,798	1,402,798	-
Operating transfers out	(800,000)	(800,000)	-
Use of unreserved fund balance	3,562,222	3,562,222	-
TOTAL OTHER FINANCING SOURCES (USES)	4,165,020	4,165,020	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	\$ -	\$ 6,405,948	\$ 6,405,948

See notes to general purpose financial statements.

PENSION TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR EMPLOYEES' PENSION BENEFITS
YEAR ENDED DECEMBER 31, 1998

ADDITIONS:

Employer contributions	\$ 7,629,717
Employee contributions	<u>2,967,112</u>
Total contributions	<u>10,596,829</u>

Net investment income:

Net appreciation in fair value of investments	17,661,771
Interest	4,645,213
Dividends	549,401
Other	<u>827,626</u>

Total investment income 23,684,011

Less investment expense (555,339)

Net investment income 23,128,672

Intergovernmental 1,445,676
Transfers from other systems 209,783

Total additions 35,380,960

DEDUCTIONS:

Administration 240,183
Retirement benefits and refunds 12,301,213

Total deductions 12,541,396

Net increase 22,839,564

Net assets available for employees' pension benefits at
beginning of year (fund balance reserved for employees'
pension benefits) (As restated) 117,977,243

Net assets available for employees' pension benefits at
end of year (fund balance reserved for employees'
pension benefits) \$ 140,816,807

See notes to general purpose financial statements.

ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Fiduciary Fund Types	Total (Memorandum Only)
	Golf Enterprise	Internal Service	Nonexpendable Trusts	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Operating income	\$ 386,956	\$ 970,905	\$ 225	\$ 1,358,086
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	32,500			32,500
Changes in assets and liabilities:				
Prepaid expenses		(767)		(767)
Warrants payable	100,341	294,012		394,353
Accrued liabilities	(773)	(312,000)		(312,773)
Other liabilities		1,104,383		1,104,383
Total adjustments	132,068	1,085,628	-	1,217,696
NET CASH PROVIDED BY OPERATING ACTIVITIES	519,024	2,056,533	225	2,575,782
<u>CASH FLOWS (USED FOR) NONCAPITAL FINANCING ACTIVITIES:</u>				
Operating transfers out	(361,243)			(361,243)
<u>CASH FLOWS (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Interest expense	(19,835)			(19,835)
Principal payments on bonds and notes	(45,000)			(45,000)
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(64,835)	-	-	(64,835)
<u>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:</u>				
Investment income		62,824	453,555	516,379
NET INCREASE IN CASH	92,946	2,119,357	453,780	2,666,083
CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF YEAR (AS RESTATED)	118,907	3,635,295	882,692	4,636,894
CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR	\$ 211,853	\$ 5,754,652	\$ 1,336,472	\$ 7,302,977
<u>RECONCILIATION TO COMBINED BALANCE SHEET:</u>				
Cash and short-term investments at end of year	\$ 211,853	\$ 5,754,652	\$ 1,336,472	\$ 7,302,977
Cash and short-term investments at end of year, Expendable Trust and Agency	-	-	3,084,930	3,084,930
CASH AND SHORT-TERM INVESTMENTS PER THE COMBINED BALANCE SHEET	\$ 211,853	\$ 5,754,652	\$ 4,421,402	\$ 10,387,907

See notes to general purpose financial statements.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Town are organized and operated on the basis of Funds and Account Groups. A Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates Funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related, legal and contractual provisions. The minimum number of Funds are maintained consistent with legal and managerial requirements. Account Groups are a reporting device used to account for certain assets and liabilities of Governmental Funds not recorded directly in those Funds.

The Town has the following Fund Types and Account Groups:

Governmental Funds are used to account for the Town's general governmental activity. Governmental Fund Types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, landfill closure liabilities, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received by the Town, and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

Governmental Funds include the following Fund Types:

The *General Fund* is the general operating Fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Special Revenue Fund* is used to account for the proceeds of specific revenue sources (other than Expendable Trusts or Capital Projects) that are restricted by law or administrative action to expenditures for specified purposes.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Trust Funds).

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. For Proprietary Fund accounting, the Town applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying general purpose financial statements of the Town of Brookline, Massachusetts (the Town), have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town was founded in 1630 as a part of Boston and was incorporated in 1705 under the Statutes of the Commonwealth of Massachusetts (the Commonwealth). The Town operates under a representative Town Meeting form of government and provides the following services to the residents of its community: administrative, public safety, public works, education, community development, water and sewer, health, elder and recreation.

The Town is a municipal corporation governed by an elected Board of Selectmen (the Board).

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential Component Units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's general purpose financial statements to be misleading or incomplete. As required by GAAP, these general purpose financial statements present the Town (the Primary Government) and its Component Units. The Town has included one entity as a Component Unit in the reporting entity, because of the significance of its operational and/or financial relationship with the Town.

Blended Component Units – Blended Component Units are entities which are legally separate from the Town, but are so related to the Town that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town. The Brookline Contributory Retirement System is blended within the Primary Government.

The Brookline Contributory Retirement System (the System) was established to provide retirement benefits to Town employees and their beneficiaries. The System is governed by a five member board comprised of the Town Comptroller (ex-officio), an appointee of the Board, two members elected by the active and retired members of the System and one member appointed by the other four board members. The System is presented using the accrual basis of accounting and is reported as a Pension Trust Fund. The System did not issue a separate audited financial statement.

Joint Ventures – The Town is a member of the Massachusetts Water Resources Authority (MWRA), a joint venture with other Massachusetts governmental entities that was organized to provide water and sewer services to the respective members' Cities, Towns and Districts. Complete financial statements for the MWRA can be obtained directly from their administrative office located at 100 First Avenue, Boston, Massachusetts, 02189.

The Town is also a member of the Massachusetts Bay Transportation Authority (MBTA), a joint venture with other Massachusetts governmental entities that was organized to provide public transportation services to the respective members' Cities, Towns and Districts. Complete financial statements for the MBTA can be obtained directly from their administrative office located at 10 Park Plaza, Boston, Massachusetts, 02116.

E. Inventories

Inventories are recorded as expenditures at the time of purchase. Such inventories of the Governmental and Enterprise Funds are not material in total to the general purpose financial statements and therefore are not reported.

F. Fixed Assets

Governmental Funds

General fixed asset acquisitions are recorded as expenditures in the acquiring Fund and capitalized in the General Fixed Assets Account Group in the fiscal year purchased. General fixed assets are recorded at historical cost, or at estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at the estimated fair market value at the date of donation. In addition, interest is not capitalized on constructed general fixed assets and general fixed assets are not depreciated.

Enterprise Fund

Fixed assets of the Enterprise Fund are valued at historical cost, or at estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at the estimated fair market value at the date of donation. In addition, interest is not capitalized on constructed fixed assets.

Fixed assets are depreciated on a straight-line basis.

Governmental Funds and Enterprise Fund

The Town does not capitalize land or infrastructure. The Town's infrastructure assets, such as roads, bridges, sidewalks and water and sewer lines, are generally immovable and are of value only to the Town.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenditures/expenses when incurred. Improvements are capitalized.

The Town capitalizes all purchases and construction costs in excess of \$500 at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

G. Interfund/Intrafund Transactions

During the course of its operations, the Town records transactions between Funds and/or between departments. Transactions of a buyer/seller nature between departments within a Fund are not eliminated from the individual Fund statements. Receivables and payables resulting from transactions between Funds are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

H. Fund Equity

The Town reports fund balances as reserved and designated where legally restricted for a specific future use. Otherwise, these balances are considered unreserved.

Fund balances have been "reserved for" the following:

The *Enterprise Fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the Town has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Enterprise Fund is used to account for the Town's Golf Course activities.

The *Internal Service Fund* is used to account for the financing of services provided by one department to other departments or governmental units. The Town is accounting for its risk financing activities related to health insurance, workers' compensation and municipal building insurance in its Internal Service Fund.

Fiduciary Funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. Trust Funds account for assets held by the Town under the terms of a trust agreement.

The *Expendable Trust Fund* is accounted for in essentially the same manner as Governmental Fund Types, using the same measurement focus and basis of accounting. Expendable Trust Funds are used to account for trusts where both principal and earnings may be spent.

The *Nonexpendable Trust Fund* and *Pension Trust Fund* are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The Nonexpendable Trust Fund is used to account for trusts that stipulate that only earnings, and not principal, may be spent.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified accrual basis of accounting. This Fund is used to account for assets that the Town holds for others in an agency capacity.

The **General Fixed Assets Account Group** accounts for the general fixed assets of the Town.

The **General Long-Term Obligations Account Group** is used to account for general long-term bonds and notes issued by the Town, compensated absences, landfill closure liabilities and claims and judgments that will be financed in future fiscal years from Governmental Funds.

C. Cash and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

D. Property Taxes

Property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on February 1st, May 1st, August 1st and November 1st and are subject to penalties and interest if they are not paid by the respective due date. Tax liens are processed during the fourth quarter of every fiscal year on delinquent properties. Property taxes levied are recorded as receivables in the fiscal year of the levy and are recorded under the modified accrual basis of accounting.

M. Total Column (Memorandum Only)

The total column used on the Combined General Purpose Financial Statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITYA. Budgetary Information

Municipal Law requires the Town to adopt a balanced budget that is approved at the Annual Town Meeting. The Advisory Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Expenditures are budgeted for each department by four major appropriation units, which are personal services, expenses, debt service and capital outlay that are mandated by Municipal Law. The Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Amendments to the originally adopted budget and transfers between departments require the approval of Town Meeting. Transfers between appropriation units within a department (except for the School Department and Library) require the approval of the Town Administrator, and are subject to certain restrictions that may require authorization from the Board and Advisory Committee. Expenditures within the appropriation of the School Department are not restricted. Transfers between Library appropriation units require the approval of the Board of Library Trustees.

The majority of the Town's appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the level of spending authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgements may exceed the level of spending authorized by two-thirds majority vote of Town Meeting.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original fiscal year 1999 approved budget for the General Fund authorized \$139,304,492 in appropriations and other amounts to be raised. During fiscal year 1999, the Board also approved supplemental appropriations in the amount of \$167,511.

The Office of the Comptroller has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town's accounting system.

B. Budgetary - GAAP Reconciliation

Accounting principles followed for purposes of preparing general purpose financial statements on a budgetary basis differ from those used to present general purpose financial statements in conformity with GAAP. A reconciliation of budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 1999, is presented below:

"Encumbrances and continuing appropriations" represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

"Loans" represents the Town's Community Development outstanding loans receivable.

"Subsequent years' expenditures" represents the amount of unreserved fund balance that has been voted to balance the fiscal year 2000 budget.

"Nonexpendable trust" represents amounts held by the Town for which only investment earnings may be expended.

"Stabilization" represents the amount accumulated for general and/or capital purposes upon Town Meeting approval.

"Employees' pension benefits" represents the net assets available to the System's participants that cannot be used for any other purpose.

I. Long-Term Debt

Long-term financing for Governmental Funds is recorded in the General Long-Term Obligations Account Group. Principal and interest expenditures on long-term debt are recorded in the General Fund.

Long-term financing of the Enterprise Fund is recorded as bonds payable in the Enterprise Fund. Principal pay downs and interest expenses paid on long-term debt are recorded in the Enterprise Fund.

J. Investment Income

Investment income from Special Revenue and Capital Projects Funds is legally assigned to the General Fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from the Enterprise Fund is voluntarily assigned and transferred to the General Fund. The Internal Service Fund retains its investment income.

Investment income from the Nonexpendable Trust Fund is legally assigned to the Expendable Trust Fund.

K. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. For Governmental Funds, vested or accumulated vacation and sick leave that are expected to be liquidated with expendable available financial resources are reported as expenditures and Fund liabilities. Amounts that are not expected to be so liquidated are reported in the General Long-Term Obligations Account Group.

L. Post Retirement Benefits

In addition to providing pension benefits, the Town provides health and life insurance coverage for retired employees and their survivors. The Town recognizes the cost of providing health insurance by recording its share of insurance premiums in the General Fund in the fiscal year paid. For the fiscal year ended June 30, 1999, this expenditure was approximately \$2,675,000. There were approximately 1,750 participants eligible to receive benefits at June 30, 1999.

Short-term investments and investments are classified as to collateral risk into the following three categories:

- Category 1: Insured or registered, or securities held by the Town or its agent in the Town's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not the Town's name.

Investments for the Town are summarized as follows:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>
U.S. Government Securities.....	\$ 366,277	\$ 940,187	\$ -	\$ 1,306,464
Common and Preferred Stock.....	2,079,797	193,322	-	2,273,119
Corporate Bonds.....	-	777,798	-	777,798
Unit Investment Trusts.....	-	61,567	-	61,567
Sub-total.....	<u>\$ 2,446,074</u>	<u>\$ 1,972,874</u>	<u>\$ -</u>	4,418,948

Investments not subject to categorization:

Mutual Funds.....	291,949
State Treasurer's Investment Pool (MMDT)....	<u>56,737,241</u>
Total Investments.....	<u>\$ 61,448,138</u>

Investments for the System at December 31, 1998, subject to categorization are classified as category three and are summarized as follows:

Equity Securities.....	\$ 62,762,490
International Equity Securities.....	5,878,628
Fixed Income Securities.....	<u>68,690,427</u>

Sub-total..... 137,331,545

Investments not subject to categorization:

Pension Reserve Investment Trust.....	<u>655,372</u>
Total Investments.....	<u>\$137,986,917</u>

The following is a reconciliation of the Town's investments as summarized above to the balance as recorded in the combined balance sheet:

Investments of the Town as summarized above.....	\$ 61,448,138
Less: Short-term investments reported in the combined balance sheet as cash and short-term investments.....	(<u>56,737,241</u>)
Investments of the Town as reported on the combined balance sheet.....	<u>\$ 4,710,897</u>

The following is a reconciliation of the Town's balance of cash and short-term investments as reported on the combined balance sheet at June 30, 1999:

Carrying amount of cash.....	\$ 8,053,623
Add: Short-term investments.....	<u>56,737,241</u>
Cash and short-term investments as reported on the combined balance sheet.....	<u>\$64,790,864</u>

NOTE 4 – FIXED ASSETS

General Fixed Assets Account Group – Changes in general fixed assets by category at June 30, 1999, are as follows:

	Balance at <u>July 1, 1998</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>June 30, 1999</u>
Buildings.....	\$ 92,408,308	\$ 2,279,981	\$ -	\$ 94,688,289
Machinery and equipment.....	15,113,307	4,933,556	(868,611)	19,178,252
Construction in progress.....	<u>-</u>	<u>15,200,562</u>	<u>-</u>	<u>15,200,562</u>
Total General Fixed Assets.....	<u>\$107,521,615</u>	<u>\$ 22,414,099</u>	<u>(\$ 868,611)</u>	<u>\$ 129,067,103</u>

NOTE 5 - PENSION PLAN

Plan Description - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Brookline Contributory Retirement Board. Substantially all employees are members of the System except for public school teachers and certain administrators who are members of the Commonwealth of Massachusetts' Teachers Contributory Retirement System to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are funded by the Commonwealth. These on-behalf payments are not available from the Commonwealth and therefore have not been reported in the general purpose financial statements. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 are funded by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Brookline Contributory Retirement Board and are funded by the System. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's

Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at Brookline Town Hall, 333 Washington Street, Brookline, Massachusetts, 02146.

Massachusetts' contributory benefits are uniform from System to System. The System provides retirement, disability and death benefits to plan members and beneficiaries up to a maximum of 80% of a member's highest three year average rate of regular compensation. In addition to regular compensation, benefits are based upon a member's age, length of creditable service and group classification. Members become vested after ten years of creditable service. A normal retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65, except for certain hazardous duty and public safety employees who attain normal retirement at age 55.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the systemwide actuarially determined contribution that are apportioned among the employers based on active current payroll. The current and two preceding fiscal years apportionment required the Town to contribute approximately 97% of the annual pension cost of employers. Chapter 32 of the MGL governs the contributions of plan members and the Town.

Annual Pension Cost - The Town's contributions to the System for the years ended June 30, 1999, 1998 and 1997 were \$7,782,602, \$7,253,893 and \$7,026,599 respectively, which equaled its required contribution for each fiscal year. At June 30, 1999, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 1998, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.0% investment rate of return and projected salary increases of 5.5% per fiscal year. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 1999, was 30 years.

Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value Of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage Of Covered Payroll ((B-A)/C)
1/1/98	\$ 121,604	\$ 174,294	\$ 52,690	69.8%	\$ 40,150	131.2%
1/1/96	93,286	156,258	62,972	59.7	36,686	171.7

Noncontributory Retirement Allowance - The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The General Fund expenditure for fiscal year 1999 was approximately \$451,000.

NOTE 6 - SHORT-TERM FINANCING

The Town is authorized to borrow on a temporary basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund and Enterprise Fund, respectively.

The Town has the following notes outstanding at June 30, 1999:

Type	Purpose	Rate	Due Date	Amount
BAN	School Renovations.....	3.50%	06/01/00	\$ 32,800,000
BAN	School Renovations.....	3.25%	12/16/99	11,000,000
BAN	School Remodeling.....	3.30%	06/01/00	11,690,000
BAN	Police & Fire Remodeling.....	3.30%	06/01/00	600,000
BAN	Parking Meters.....	3.30%	06/01/00	<u>325,000</u>
	Total.....			<u>\$ 56,415,000</u>

NOTE 7 - LONG-TERM DEBT

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the Town's outstanding indebtedness at June 30, 1999, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule

	<u>Interest Rate</u>	<u>Balance Outstanding July 1, 1998</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance Outstanding June 30, 1999</u>
Governmental Funds					
<i>Inside Debt Limit</i>					
Schools	3.79% - 6.38%	\$ 11,151,000	\$ -	\$ 1,718,000	\$ 9,433,000
General government	3.74% - 5.90%	16,356,000	-	1,483,000	14,873,000
Departmental equipment	3.74% - 4.86%	1,610,000	-	568,000	1,042,000
Athletic and recreational facilities	3.74% - 6.38%	<u>1,765,000</u>	<u>-</u>	<u>270,000</u>	<u>1,495,000</u>
Sub-total		<u>30,882,000</u>	<u>-</u>	<u>4,039,000</u>	<u>26,843,000</u>
<i>Outside Debt Limit</i>					
Water	0.00% - 6.63%	14,998,040	702,591	1,419,260	14,281,371
Schools	5.35%	<u>9,700,000</u>	<u>-</u>	<u>660,000</u>	<u>9,040,000</u>
Sub-total		<u>24,698,040</u>	<u>702,591</u>	<u>2,079,260</u>	<u>23,321,371</u>
Total governmental bonds and notes payable		<u>55,580,040</u>	<u>702,591</u>	<u>6,118,260</u>	<u>50,164,371</u>
Enterprise Fund					
<i>Inside Debt Limit</i>					
Golf course improvements	5.15%	<u>425,000</u>	<u>-</u>	<u>45,000</u>	<u>380,000</u>
Total bonds and notes payable		<u>\$ 56,005,040</u>	<u>\$ 702,591</u>	<u>\$ 6,163,260</u>	<u>\$ 50,544,371</u>

Debt service requirements for principal and interest for bonds and notes payable in future fiscal years are as follows:

GOVERNMENTAL FUNDS

Year Ending June 30	Principal	Interest	Total
2000.....	\$ 5,506,408	\$ 2,365,675	\$ 7,872,083
2001.....	5,296,408	2,106,613	7,403,021
2002.....	4,830,518	1,868,048	6,698,566
2003.....	4,490,518	1,654,808	6,145,326
2004.....	3,930,518	1,459,330	5,389,848
Thereafter....	<u>26,110,001</u>	<u>7,008,083</u>	<u>33,118,084</u>
Total.....	<u>\$ 50,164,371</u>	<u>\$ 16,462,557</u>	<u>\$ 66,626,928</u>

ENTERPRISE FUND

Year Ending June 30	Principal	Interest	Total
2000.....	\$ 45,000	\$ 18,538	\$ 63,538
2001.....	45,000	16,378	61,378
2002.....	45,000	14,150	59,150
2003.....	45,000	11,878	56,878
2004.....	45,000	9,560	54,560
Thereafter....	<u>155,000</u>	<u>14,875</u>	<u>169,875</u>
Total.....	<u>\$ 380,000</u>	<u>\$ 85,379</u>	<u>\$ 465,379</u>

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of 25% as a grant and 75% as a non-interest-bearing loan. The loan payable portion is payable in five equal annual installments. At June 30, 1999, the outstanding principal amount of these loans was \$1,024,371.

The Commonwealth of Massachusetts has approved construction assistance to the Town. The assistance program, which is administered by the School Building Assistance Bureau, provides resources for future debt service of general obligation school bonds outstanding. These resources are subject to annual appropriation by the State Legislature and the Town's compliance with certain reporting requirements. During fiscal year 1999, the Town received approximately \$816,000 of such assistance. Assuming annual appropriations by the Commonwealth for existing and future general obligation school bonds for approved school construction projects, approximately \$12,700,000 will be received in future fiscal years.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. As of June 30, 1999, the Town had the following authorized and unissued debt:

<u>Description</u>	<u>Date Authorized</u>	<u>Authorized Amount</u>	<u>Bonds Sold</u>	<u>Amount Authorized and Unissued</u>
High school renovations	11/06/95	\$ 43,800,000	\$ -	\$ 43,800,000
Title V – MWPAT	11/04/97	200,000	-	200,000
Parking meters	05/26/98	325,000	-	325,000
Public safety headquarters	05/26/98	600,000	-	600,000
Baker school remodeling	05/26/98	10,500,000	-	10,500,000
School life safety systems	05/26/98	800,000	-	800,000
Runkle school windows	05/26/98	290,000	-	290,000
Pierce school bathrooms	05/26/98	100,000	-	100,000
Sewer reconstruction	05/25/99	2,000,000	-	2,000,000
Water mains	05/25/99	1,763,213	-	1,763,213
Water mains (MWRA)	05/25/99	702,591	702,591	-
Water garage	05/25/99	1,300,000	-	1,300,000
Runkle playground	05/25/99	300,000	-	300,000
Hall's pond	05/25/99	100,000	-	100,000
Life safety systems	05/25/99	800,000	-	800,000
Driscoll school – elevator and roof	05/25/99	450,000	-	450,000
Senior center	05/25/99	2,750,000	-	2,750,000
Fire station # 1	05/25/99	250,000	-	250,000
Lincoln school – elevator and renovations	05/25/99	300,000	-	300,000
Total		<u>\$ 67,330,804</u>	<u>\$ 702,591</u>	<u>\$ 66,628,213</u>

Overlapping debt

The Town pays assessments that include debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The primary overlapping debt relates to the MBTA, MWRA and Norfolk County. Details related to the Town's overlapping debt at June 30, 1999, are as follows:

<u>Governmental Unit</u>	<u>Long-term debt Outstanding (Unaudited)</u>	<u>Brookline's Estimated Share</u>	<u>Brookline's Estimated Indirect Debt</u>
MBTA.....	\$ 141,028,033	3.51%	\$ 4,949,360
MWRA.....	3,912,072,000	2.87%	112,336,581
Norfolk County.....	670,000	10.76%	72,072
Total.....	<u>\$ 4,053,770,033</u>		<u>\$117,358,013</u>

General Long -Term Obligations Account Group

The Town records its liability for long-term bonds and notes in the General Long-Term Obligations Account Group. Other general long-term obligations recognized by the Town are its obligations for compensated absences and landfill closure. The Town did not report the estimated Landfill Closure liability in prior fiscal years. These liabilities will be liquidated in the future from Governmental Funds.

During the fiscal year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group:

	Balance July 1, 1998	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Net Increase (Decrease)	Balance June 30, 1999
Long-Term Bonds and Notes.....	\$ 55,580,040	\$ 702,591	(\$ 6,118,260)	\$ -	\$50,164,371
Compensated Absences.....	6,056,998	-	-	(387,267)	5,669,731
Landfill Closure.....	-	-	-	3,983,000	3,983,000
Total.....	<u>\$ 61,637,038</u>	<u>\$ 702,591</u>	<u>(\$ 6,163,260)</u>	<u>\$3,595,733</u>	<u>\$59,817,102</u>

NOTE 8 - RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The Town is self-insured for its health, workers' compensation and municipal building insurance activities. These activities are accounted for the Town's Internal Service Fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

(a) Health Insurance

The Town estimates its Incurred But Not Reported (IBNR) claims based on a two-month claims paid average. The Town purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$100,000.

At June 30, 1999, the amount of the liability for health insurance claims was \$975,000. This liability is the Town's best estimate based on available information. Changes in the reported liability since July 1, 1997, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 1998.....	\$ 995,360	\$ 7,075,366	(\$6,855,726)	\$ 1,215,000
Fiscal Year 1999.....	1,215,000	7,138,729	(7,378,729)	975,000

(b) *Workers' Compensation*

Workers' compensation claims are administered by a third party and are funded on a pay-as-you-go basis from annual appropriations. The Town purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$300,000. The Town estimates its future workers' compensation liability based on history and injury type.

At June 30, 1999, the amount of the liability for workers' compensation claims was \$1,145,000. Changes in the reported liability since July 1, 1997, are as follows

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 1998.....	\$ 1,830,000	\$ 792,495	(\$ 1,405,495)	\$ 1,217,000
Fiscal Year 1999.....	1,217,000	615,049	(687,049)	1,145,000

The Town's IBNR claims for municipal building insurance are not material at June 30, 1999, and therefore are not reported.

NOTE 9 – CAPITAL STABILIZATION FUND

The Town has \$1,621,642 in a Capital Stabilization Fund classified in the Expendable Trust Fund. The Town transferred \$800,000 from the approved operating budget into the fund in fiscal year 1999 and has appropriated \$1,560,000 to be transferred into the fund in fiscal year 2000. The Capital Stabilization Fund may be used for capital purposes upon approval of Town Meeting.

NOTE 10 - LANDFILL CLOSURE COSTS

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town operated a solid waste landfill that ceased operations in 1972. The Town has reflected \$3,983,000 as the estimate of the landfill closure liability at June 30, 1999, in the General Long-Term Obligations Account Group. This amount is based on estimates of what it would cost to perform all future closure and post closure care in fiscal year 1999. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 11 - COMMITMENTS

The Town has entered into a long-term contract with Arthur Schofield, Inc. to direct the acceptable waste it collects to a transfer station. The Town is charged a flat rate per ton that is subject to increase annually. There are no minimum tonnage requirements that the Town must comply with.

The Town has entered into a long-term contract with Browning Ferris Industries to provide recycling services. The Town is charged a flat rate of \$73.10 per ton of acceptable waste collected and hauled. There are no minimum tonnage requirements that the Town must comply with.

The School Department has entered into an agreement with Laidlaw Transit, Inc. to provide for the transportation of its students. The contract bears an annual cost of approximately \$850,000 and expires August 31, 2002.

The Town has entered into, or is planning to enter into, contracts totaling approximately \$67,331,000 for the remodeling/renovations of the Baker, Runkle, Pierce, Driscoll, Lincoln and High schools, the reconstruction of sewer and water mains, the purchase of life safety systems, the construction of a water department garage, the construction of a senior center and the construction of a public safety headquarters.

NOTE 12 - CONTINGENCIES

The Town participates in a number of federal award programs. Although the Town grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 1999, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 1999, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 1999.

NOTE 13 - ADJUSTMENTS AND RECLASSIFICATIONS

The following changes have been made to beginning fund balances/retained earnings to reclassify/adjust certain prior year fund activities, to correct a prior period error and to implement Governmental Accounting Standards Board (GASB) Statement #32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>
Fund balances/retained earnings at June 30, 1998, as previously reported.....	\$ 20,705,814	\$2,954,459	\$ -
To reclassify Chapter 90 funds.....	(558,601)	558,601	-
To record Community Development loans.....	-	640,545	-
To implement full accrual accounting.....	-	-	217,704
To record prior years' depreciation adjustment.....	-	-	(211,250)
To reclassify Enterprise Funds.....	-	(117,389)	117,389
Fund balances/retained earnings at June 30, 1998, as restated.....	<u>\$ 20,147,213</u>	<u>\$4,036,216</u>	<u>\$ 123,843</u>

	<u>Fiduciary Fund Types</u>		
	Non- Expendable <u>Trusts</u>	Expendable <u>Trusts</u>	Pension <u>Trust</u>
Fund balances at June 30, 1998, as previously reported.....	\$10,206,448	\$21,848,074	\$121,604,189
To implement GASB Statement #32.....	-	(18,729,437)	-
To adjust accounts receivable.....	-	-	(3,626,946)
To correct prior period error.....	(5,436,865)	(213,031)	-
Fund balances at June 30, 1998, as restated.....	<u>\$ 4,769,583</u>	<u>\$ 2,905,606</u>	<u>\$117,977,243</u>

Supplementary Information

SCHEDULE OF LONG TERM DEBT

FISCAL YEAR ENDED JUNE 30, 1999

	Issue Amount	Interest Rate	Maturity Date	Balance Outstanding July 1, 1998	Issued FY 1999
<u>INSIDE DEBT LIMIT</u>					
SCHOOLS					
1989 High School Science Labs	\$ 4,070,000	6.37%	11/15/98	\$ 80,000	\$ -
1989 Pierce School	3,235,000	6.37%	11/15/98	355,000	-
1989 High School Roof	120,000	6.37%	11/15/98	10,000	-
1989 High School Roof	300,000	6.38%	11/15/99	60,000	-
1990 Asbestos Removal	150,000	5.91%	08/15/99	30,000	-
1991 School Boilers	350,000	5.91%	08/15/06	200,000	-
1991 Driscoll School Gymnasium	400,000	5.91%	08/15/06	225,000	-
1992 School Boilers	800,000	5.30%	09/01/10	575,000	-
1992 Baker School Roof	1,500,000	4.92%	09/01/02	750,000	-
1992 Runkle School Repairs	295,000	5.35%	09/01/12	220,000	-
1992 High School Windows	250,000	5.31%	09/01/12	175,000	-
1992 High School Safety System	510,000	5.27%	09/01/09	360,000	-
1994 High School Safety System	1,000,000	3.94%	01/15/04	600,000	-
1994 Heath/Driscoll Plans & Specs.	290,000	3.79%	01/15/99	54,000	-
1994 Heath Roof	130,000	3.92%	01/15/04	78,000	-
1995 Heath School	3,200,000	5.35%	04/01/15	2,720,000	-
1995 Various School Buildings	85,000	4.56%	04/01/00	34,000	-
1995 Various School Buildings	750,000	5.90%	04/01/10	600,000	-
1996 Driscoll Auditorium	100,000	4.19%	02/15/06	85,000	-
1996 Devotion Windows	160,000	4.20%	02/15/06	136,000	-
1996 Devotion Roof	75,000	4.19%	02/15/06	64,000	-
1996 Lawrence Roof	100,000	4.20%	02/15/06	85,000	-
1996 Heath School	300,000	4.11%	02/15/06	240,000	-
1997 Driscoll School Repairs	400,000	4.70%	06/15/07	360,000	-
1997 Devotion School Repairs	750,000	4.70%	06/15/07	675,000	-
1997 Life Safety Systems	300,000	4.70%	06/15/07	270,000	-
1997 Various School Buildings	220,000	4.70%	06/15/07	198,000	-
1997 Baker School Remodeling	540,000	4.87%	06/15/02	432,000	-
1998 Driscoll Windows	200,000	4.13%	06/15/08	200,000	-
1998 Runkle Windows	300,000	4.13%	06/15/08	300,000	-
1998 High School Canopy	100,000	3.93%	06/15/03	100,000	-
1998 Life Safety Systems	600,000	4.13%	06/15/08	600,000	-
1998 Baker Remodeling	280,000	3.92%	06/15/03	280,000	-
sub total	21,860,000			11,151,000	-

Maturities FY 1999	Outstanding June 30, 1999	Interest Paid FY 1999
\$ 80,000	\$ -	\$ 2,560
355,000	-	11,360
10,000	-	320
30,000	30,000	2,880
15,000	15,000	1,253
25,000	175,000	11,163
25,000	200,000	12,713
45,000	530,000	28,983
150,000	600,000	32,925
15,000	205,000	11,248
15,000	160,000	8,783
30,000	330,000	18,015
100,000	500,000	23,400
54,000	-	1,890
13,000	65,000	3,042
160,000	2,560,000	144,080
17,000	17,000	1,836
50,000	550,000	30,900
8,000	77,000	3,500
12,000	124,000	5,614
6,000	58,000	2,635
8,000	77,000	3,504
30,000	210,000	9,795
40,000	320,000	17,230
75,000	600,000	32,306
30,000	240,000	12,923
22,000	176,000	9,477
108,000	324,000	21,573
20,000	180,000	8,871
30,000	270,000	13,307
20,000	80,000	4,834
60,000	540,000	26,613
60,000	220,000	13,583
<u>1,718,000</u>	<u>9,433,000</u>	<u>533,111</u>

SCHEDULE OF LONG TERM DEBT

FISCAL YEAR ENDED JUNE 30, 1999

	Issue Amount	Interest Rate	Maturity Date	Balance Outstanding July 1, 1998	Issued FY 1999
GENERAL GOVERNMENT					
1990 Swimming Pool Building	260,000	5.89%	08/15/99	60,000	-
1991 Library Roof	415,000	5.89%	08/15/06	235,000	-
1992 Town Hall Elevators	100,000	5.16%	09/01/07	65,000	-
1992 Grove Street Building	60,000	5.02%	09/01/04	35,000	-
1992 Town Hall Repairs	95,000	5.33%	09/01/11	70,000	-
1992 Branch Library Repairs	200,000	5.36%	09/01/12	150,000	-
1992 Fire Station Repairs	925,000	5.13%	09/01/06	585,000	-
1992 Sidewalk Construction	1,500,000	4.29%	09/01/02	750,000	-
1994 Various Buildings	380,000	3.94%	01/15/04	228,000	-
1994 Library Building	140,000	3.92%	01/15/04	84,000	-
1994 Fire Station Repairs	150,000	3.92%	01/15/04	90,000	-
1995 Fire Station Repairs	880,000	4.80%	04/01/05	616,000	-
1995 Various Public Buildings	430,000	5.90%	04/00/10	331,000	-
1996 Town Hall Repairs	200,000	4.19%	02/15/06	168,000	-
1996 Building Alarm Systems	280,000	4.20%	02/15/06	239,000	-
1996 Heat & Light Plant Roof	100,000	4.19%	02/15/06	85,000	-
1996 Beacon Street Construction	500,000	3.74%	02/15/01	300,000	-
1996 Surface Drains	400,000	4.11%	02/15/06	320,000	-
1996 Library Remodeling	160,000	4.11%	02/15/06	128,000	-
1996 Library Remodeling Plans	150,000	3.74%	02/15/01	90,000	-
1996 Various Public Buildings	550,000	4.11%	02/15/06	440,000	-
1997 Municipal Service Center (1/2 issue)	3,800,000	4.97%	06/15/17	3,610,000	-
1997 Surface Drains	500,000	4.86%	06/15/07	450,000	-
1998 Municipal Service Center (2/2 issue)	3,800,000	4.61%	06/15/18	3,800,000	-
1998 Wastewater Systems	2,000,000	4.56%	06/15/18	2,000,000	-
1998 Storm Drains	500,000	4.13%	06/15/08	500,000	-
1998 Library Renovations	800,000	4.13%	06/15/08	800,000	-
1998 Sewer Main Reconstruction	127,000	3.92%	06/15/03	127,000	-
sub total	19,402,000			16,356,000	-
DEPARTMENTAL EQUIPMENT					
1994 Traffic Signals	160,000	3.93%	01/15/04	96,000	-
1994 Computer Improvements	700,000	3.80%	01/15/99	140,000	-
1995 Fire Engine	460,000	4.56%	04/01/00	184,000	-
1996 Computer Equipment	900,000	3.74%	02/15/01	540,000	-
1997 Parking Meters	250,000	4.86%	06/15/02	200,000	-
1998 Fire Ladder Truck	450,000	3.93%	06/15/03	450,000	-
sub total	2,920,000			1,610,000	-

Maturities FY 1999	Outstanding June 30, 1999	Interest Paid FY 1999
30,000	30,000	2,505
30,000	205,000	13,130
7,000	58,000	3,151
5,000	30,000	1,623
5,000	65,000	3,563
10,000	140,000	7,685
65,000	520,000	28,178
150,000	600,000	32,925
38,000	190,000	8,892
14,000	70,000	3,276
15,000	75,000	3,510
88,000	528,000	30,976
33,000	298,000	17,040
16,000	152,000	6,916
21,000	218,000	9,864
8,000	77,000	3,500
100,000	200,000	11,450
40,000	280,000	13,060
16,000	112,000	5,224
30,000	60,000	3,435
55,000	385,000	17,958
190,000	3,420,000	178,173
50,000	400,000	21,538
190,000	3,610,000	169,874
120,000	1,880,000	89,268
50,000	450,000	22,178
80,000	720,000	35,484
27,000	100,000	6,158
1,483,000	14,873,000	750,529
16,000	80,000	3,744
140,000	-	4,900
92,000	92,000	9,936
180,000	360,000	20,610
50,000	150,000	9,988
90,000	360,000	21,755
568,000	1,042,000	70,933

SCHEDULE OF LONG TERM DEBT

FISCAL YEAR ENDED JUNE 30, 1999

	Issue Amount	Interest Rate	Maturity Date	Balance Outstanding July 1, 1998	Issued FY 1999
ATHLETIC AND RECREATIONAL FACILITIES					
1989 Clark Playground	300,000	6.38%	11/15/99	60,000	-
1986 Larz Anderson Park	240,000	5.89%	08/15/04	120,000	-
1991 Warren Field	380,000	5.89%	08/15/06	225,000	-
1991 Driscoll Playground	245,000	5.89%	08/15/06	135,000	-
1994 Various outdoor facilities	350,000	3.94%	01/15/04	210,000	-
1996 Soule Playground	330,000	4.09%	02/15/06	260,000	-
1996 Heath School Playground	180,000	3.74%	02/15/01	105,000	-
1998 Eliot Recreation Center	300,000	4.13%	06/15/08	300,000	-
1998 Schick Playground	250,000	4.13%	06/15/08	250,000	-
1998 Larz Anderson Park	100,000	3.93%	06/15/03	100,000	-
sub total	2,675,000			1,765,000	-
ENTERPRISE FUND					
1992 Golf Course Improvements	650,000	5.15%	09/01/07	425,000	-
TOTAL INSIDE DEBT	47,507,000			31,307,000	-
OUTSIDE DEBT LIMIT					
WATER					
1986 Water Mains	1,550,000	5.15%	12/15/01	400,000	-
1987 Water Mains Phase II	2,150,000	6.63%	12/01/02	650,000	-
1989 Water Mains Phase III	300,000	6.37%	11/15/99	85,000	-
1990 Water Mains	3,200,000	5.89%	08/15/06	2,170,000	-
1992 Water Mains	1,600,000	5.27%	09/01/12	1,190,000	-
1994 Sewer Mains (MWRA Financed)	476,850	0.00%	12/01/99	95,370	-
1994 Water Mains	5,200,000	4.54%	01/15/14	4,160,000	-
1996 Sewer Mains (MWRA Financed)	804,450	0.00%	03/01/01	482,670	-
1997 Water Mains (1/2 issue)	2,950,000	4.97%	06/15/17	2,815,000	-
1998 Water Mains (2/2 issue)	2,950,000	4.60%	06/15/18	2,950,000	-
1999 Water Rehab (MWRA Financed)	702,591	0.00%	06/18/04	-	702,591
sub total	21,883,891			14,998,040	702,591
SCHOOLS					
1992 Lincoln School	13,000,000	5.35%	09/01/12	9,700,000	-
TOTAL OUTSIDE DEBT	34,883,891			24,698,040	702,591
TOTAL ALL DEBT	\$ 82,390,891			\$ 56,005,040	\$ 702,591

Maturities FY 1999	Outstanding June 30, 1999	Interest Paid FY 1999
30,000	30,000	2,880
20,000	100,000	6,425
25,000	200,000	12,713
15,000	120,000	7,628
35,000	175,000	8,190
35,000	225,000	10,570
35,000	70,000	4,008
30,000	270,000	13,307
25,000	225,000	11,089
20,000	80,000	4,834
270,000	1,495,000	81,644
45,000	380,000	20,608
4,084,000	27,223,000	1,456,825
100,000	300,000	18,200
150,000	500,000	39,925
45,000	40,000	4,000
215,000	1,955,000	123,073
98,000	1,092,000	59,607
95,370	-	-
265,000	3,895,000	184,706
160,890	321,780	-
135,000	2,680,000	138,834
155,000	2,795,000	131,824
-	702,591	-
1,419,260	14,281,371	700,169
660,000	9,040,000	496,010
2,079,260	23,321,371	1,196,179
\$ 6,163,260	\$ 50,544,371	\$ 2,653,004

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